

IRS TAX TIP 2002-40

TAXABILITY OF SOCIAL SECURITY BENEFITS

The IRS says that whether your Social Security benefits are taxable depends on your total income and marital status. Form SSA-1099, which Social Security recipients receive by January 31, shows your total benefits, but determining your taxable benefits requires putting pencil to paper.

Generally, if Social Security benefits were your only income, your benefits are not taxable and you probably do not need to file a federal income tax return. If you received Social Security benefits plus other income, the answer to how much, if any, is taxable can be found in the worksheet in the Form 1040 instruction book.

For a quick computation, add one-half of your Social Security benefits to all your other income, including tax-exempt interest. If this amount is greater than the base amount for your filing status, a part of your benefits will be taxable.

The 2001 base amounts are:

- \$25,000 for single, head of household, or qualifying widow/widower with a dependent child
- \$25,000 for married individuals filing separately who did not live with their spouses at any time during the year
- \$32,000 for married couples filing jointly
- \$0 for married persons filing separately who lived together

If your benefits are taxable, you can avoid estimated tax payments and minimize your tax bill next year by having federal income tax withheld from your benefits. Simply complete Form W-4V, "Voluntary Withholding Request," and file it with the Social Security Administration.

For additional information on the taxability of Social Security benefits, see IRS Publication 915, "Social Security and Equivalent Railroad Retirement Benefits." Both Publication 915 and Form W-4V can be downloaded from the IRS Web site at www.irs.gov.

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